

COHEN & GRESSER LLP

666 FIFTH AVENUE, 28TH FLOOR

NEW YORK, N.Y. 10103

TELEPHONE (212) 957-7600

FAX (212) 957-4514

Mark S. Cohen

Direct Dial: (212) 957-7601

Email: mcohen@cohengresser.com

July 20, 2004

VIA FEDERAL EXPRESS

Letter of Appeal
Schools and Libraries Division
Box 125 – Correspondence Unit
80 South Jefferson Road
Whippany, NJ 07981

Re: Connect2 Internet Networks Inc.

Dear Sir or Madam:

This is a letter of appeal made on behalf of Connect2 Internet Networks Inc. ("Connect2"). I and my co-counsel, Ike Sorkin of Carter Ledyard & Milburn LLP, represent Connect2.

The SLD Letters

Connect2 has received numerous letters requesting repayment of disbursed funds. The funding request numbers and dates of the letters are set forth in the appendix attached hereto. (The applicants' names, Application Numbers, and Billed Entity Numbers, where available, are set forth in the appendix as well.)

The bases for the requested repayments vary. In some cases, SLD claims that funds were disbursed "in excess of the actual services delivered." In others, SLD states that "auditors were unable to locate all of the equipment" in 2004 – notwithstanding that the equipment was funded in 1998-1999. (See June 7, 2004 letter, regarding St. Augustine School, referenced in the attached appendix on p. 4.) In other cases, SLD claims, "The applicant was unable to show that a competitive bidding process had occurred or that they had paid their non-discounted share. Additionally, the applicant was unable to demonstrate that the internet access service was delivered within the funding year." (See June 7, 2004 letter, regarding The Children's Storefront, referenced in the attached appendix on p. 1.) In still other cases, the basis is that the vendor "failed to collect the required payment for the non-discounted portion of this FRN." (See April 1, 2004 letter, regarding Greek American Institute, referenced in the attached

July 20, 2004

Page 2

April 1, 2004 letter, regarding Greek American Institute, referenced in the attached appendix on p. 2.) In several instances, "demand" letters were received without any explanation whatever. (See the June 16, 2004 letters regarding AHCR Elementary School, Christ Crusader Academy, Grace Lutheran Day School, Immaculate Conception School, Islamic Elementary School, Mary Help of Christians School, School of the Transfiguration, St. John Lutheran School, St. Matthew Lutheran School, St. Rocco School, and Summit School, referenced in the attached appendix.)

The total amount sought is over \$5,000,000.

Mr. Angelides and Connect2

Connect2's former president, John Angelides, who is 66 years old, has been diagnosed with Stage-IV metastasized non-small cell lung cancer, which has spread to the brain. He is being treated at the Memorial Sloan-Kettering Cancer Center. On average, patients with Mr. Angelides' diagnosis live approximately nine months from the date of diagnosis, which was October 2003. Because of Mr. Angelides' illness, he did not immediately bring the letters to our attention. Thus, any untimeliness in this appeal for Connect2 should be excused for good cause.

Before his illness was discovered, on May 22, 2003, Mr. Angelides pled guilty to 18 U.S.C. § 371 before the Honorable Thomas P. Griesa, in the Southern District of New York. The United States Attorney agreed that the entire "loss amount" arising from his conduct was more than \$200,000 and less than \$400,000, and Mr. Angelides agreed to forfeit \$290,000 -- not the millions referenced in your letters. Because of his terminal illness, Mr. Angelides has not been sentenced at this time.

In light of the criminal prosecution of Mr. Angelides, his illness, and attendant business problems, Connect2 has not transacted any business since 2003, when it closed its office. The funds that Connect2 received from SLD -- two to four year ago -- which SLD now wants repaid, largely went to the purchase and installation of computer equipment in the serviced schools and to pay the Company's employees, vendors and other overhead.

In light of these extreme circumstances, we believe that further proceedings are unwarranted. Connect2 therefore respectfully appeals the SLD claims.

COHEN & GRESSER LLP

July 20, 2004

Page 3

Furthermore, we respectfully request a meeting with you to discuss resolution of this matter. We look forward to hearing from you.

Yours very truly,

A handwritten signature in dark ink, appearing to read 'Mark S. Cohen', written in a cursive style.

Mark S. Cohen

Enclosures

cc: Mr. John Angelides
Ike Sorkin, Esq.

1009-001/2578